

Understanding Michigan's Retirement Income Exemptions

Are pensions, annuities, and other retirement income taxable in MI?

Beginning on January 1, 2012, pension and other retirement benefits that were formerly exempt may be subject to the Michigan Income Tax, depending on the age and birth date of the taxpayer, or taxpayer's spouse.

A chart outlining the different age categories and the treatment of retirement benefits can be found online at michigan.gov/getanswers. You can also request the chart by calling toll-free 855-440-6424.

Is my pension administrator required to withhold income tax from my pension payment?

Companies over which Michigan has taxing jurisdiction are required to withhold Michigan tax from pension, annuity, and other retirement payments. Administrators have been instructed not to withhold from those born before 1946, based on information they have available on the taxpayer.

If your pension administrator does not fall under Michigan's jurisdiction, you may request to have Michigan tax withheld, but the company is not required to do so. If no taxes are withheld from your payments, you may need to make estimated payments in place of the withholding.

Contact your pension and/or annuity administrator to verify if tax will be withheld from your payments.

I had income tax wrongly withheld from my pension check. What should I do?

If you had income tax withheld from a pension or other retirement benefit payment and you feel that it was done in error, **you must contact your pension administrator**. You should submit a MI W4-P form to the administrator, informing them of the amount of income tax that you wish to be withheld from your disbursements. Some administrators may have an online system to assist you with this process, so you should contact your administrator prior to completing the MI W4-P.

What if I don't have anything withheld from my check, but I do have an income tax liability?

If taxes are not withheld from retirement disbursements and your income was not exempt, you may end up owing money when filing your MI-1040 Income Tax Return in 2013.

If you feel that you should have taxes withheld from your retirement benefit payments, contact your pension or annuity administrator and submit a MI W4-P to the administrator.

Need more information? Just call us toll-free at 855-440-6424

I was born before 1946, is my retirement income taxable?

The income tax changes that took effect on 1-1-2012 did not change the treatment of pension, annuity, and other retirement income for individuals born before 1946. For those receiving a private pension, the first \$47,309 for single filers and \$94,618 for joint filers is exempt from taxation. Public pensions are completely exempt.

I was born between 1946 and 1952, is my retirement income taxable?

Those born between January 1, 1946 and December 31, 1952, are eligible to deduct \$20,000 for single filers and \$40,000 for joint filers from public and private pension and retirement income payments. Social Security, railroad and military pensions are completely exempt. You are not eligible for the senior citizen subtraction for interest, dividends and capital gains.

For this age bracket, the treatment will change slightly upon turning 67, most notably that the \$20,000/\$40,000 deduction will apply to all income, not just pension and other retirement income payments.

I was born after 1952, is my retirement income taxable?

Those born on and after January 1, 1953 are subject to income tax on all retirement benefits. There are exemptions for Social Security and railroad and military pensions.

When this group turns 67, they can elect the exemption of \$20,000/single or \$40,000/joint against all income or elect to exempt Social Security, military and railroad retirement benefits and claim personal exemptions.

My spouse is older than I am. Which person's age should we use when determining our retirement income treatment?

For married taxpayers who file a joint return, the age of the older spouse determines the age category that will apply to the retirement income treatment of both spouses, regardless of the age of the younger spouse and regardless of which spouse receives the retirement income.

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